

IRS posts new FAQ to the FATCA webpage clarifying due diligence procedures

Closing the distance

Global Financial Services Industry



IRS posts a new FAQ to the FATCA webpage clarifying the due diligence procedures imposed by the IGAs on FFIs opening new individual accounts.

On February 2, 2015, the Internal Revenue Service (“IRS”) posted a new FAQ to the FATCA webpage under the **General Compliance** category, Question 10. This FAQ is relevant to Reporting Model 1 or Model 2 Foreign Financial Institutions (“FFIs”) applying the due diligence procedures provided in the applicable FATCA intergovernmental agreement (“IGA”) (see the **sample Model I IGA**, Annex I, section III, paragraph B).

FAQ Clarifying Due Diligence Procedures

The FAQ addresses the question of whether a reporting Model 1 or Model 2 FFI subject to the IGA due diligence procedures can open a New Individual Account and treat it as a U.S. Reportable Account where it is unable to obtain a self-certification when opening the account. Under the due diligence procedures provided in Annex I, section III, paragraph B of the IGA, reporting Model 1 and Model 2 FFIs are required to obtain a self-certification from the account holder when opening the account to determine whether the account holder is a U.S. resident for tax purposes. The IRS, in its answer to this FAQ, clarifies that this requirement is strictly applied. **If the FFI is unable to obtain a self-certification at account opening, it cannot open the account.** It is not sufficient that the FFI default to treating the account as a U.S. Reportable Account.

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